

Common mistakes first-time entrepreneurs should avoid

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Small business failure rates are as high as 63% in the first two years, so it's crucial for entrepreneurs to avoid these common pitfalls

When it comes to entrepreneurship, Executive Coach [Penny Holburn](#) says there are a lot of misconceptions. Most people think a successful business requires a "gee whiz" idea, but most successful businesses are born from simple and straightforward ideas.

"As long as there is a market for your products and services you have a business idea that can work," says Holburn. "It's also a myth that entrepreneurship is a way to get rich quickly. It may be a way to ultimately get rich, but you won't do it quickly unless you win the lotto or get spectacularly lucky. It takes time to build success. And it takes more time than most think it will."

Holburn says it's essential that first-time business owners should avoid these common mistakes:

The mistake: Starting with too many products and services

Start out with one product or service line. Get that one working and then consider expanding. As you achieve small goals you will build the confidence and belief to set and achieve bigger goals.

The mistake: Not having enough capital

It will take longer than you think to start getting an income. You need money, quite a lot of it, to see you through the first year of your business. Therefore, it's important to ensure you have the capital to keep yourself going without an income from your new business – at least for the first year.

The capital could come from your savings, retrenchment money, a loan, or you could carry on working full-time while working part-time in your new business.

Too many people abandon their business idea because it is taking too long for money to come in. Every time you start a business and end up abandoning the idea you increase your fear of starting a business again and you lose money in the process.

The mistake: Not managing your cash flow

Cash flow is usually the most common problem for a new business. Keep your expenses low. Don't spend money unless you need it to grow your business. Many people who are used to being salaried employees find it challenging to invoice and ask customers for payment. Set specific and clear terms and conditions for payment and don't be afraid to ask for it. Set your terms and insist they are adhered to.

The mistake: Hiring the wrong people

Too many entrepreneurs spend time in the CCMA rather than working on their business. Don't hire just anyone; you must ensure that they are competent. Get proper employment contracts in place and pay appropriately. If your new business requires employees when you start up, consider hiring a labour lawyer on a retainer to assist in the early stages.

The mistake: Not immersing yourself in entrepreneurship culture

It's important to spend time with other entrepreneurs. Read up about entrepreneurship. Go to seminars on running your own business. It helps you think like a business owner and you get to network and share ideas and solve problems with like-minded individuals.

The mistake: Not taking action

It is possible to do too much planning. Often too much planning masks considerable fears of starting a business – more than the usual fears every entrepreneur has. These need to be dealt with first. To be an entrepreneur you need to have some ideas and then put them into action. Then you need to look at the results of your actions, do some more planning and take more and possibly different action. You plan the business while you actually work on and in the business.

The mistake: Working 17 hours a day, 7 days a week

You will work hard, but you have to have downtime. If you take no time to rest and look after yourself you will end up ill and burnt out, and then you very definitely won't be successful.